Company Registration No. 1903304 (England and Wales)

CHARLES STANLEY & CO LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

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CHARLES STANLEY & CO LIMITED

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CHARLES STANLEY & CO LIMITED

COMPANY INFORMATION

Directors	Sir David Howard Bt E M Clark P A Hurst M R I Lilwall S C King M M Murphy P C Nathan M B E M Anderson J A Butcher M J Pitts V J Malpas G Teper
Secretary	Gary Teper
Company number	1903304
Registered office	25 Luke Street London EC2A 4AR
Auditors	Saffery Champness Lion House Red Lion Street London WC1R 4GB
Bankers	Bank of Scotland New Uberior House 11 Earl Grey Street Edinburgh EH3 9BN

CHARLES STANLEY & CO LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2007

The directors present their report and financial statements for the year ended 31 March 2007

Principal activities and business review
The company provides stockbroking, corporate finance and investment services to retail and institutional clients The company is regulated by the Financial Services Authority and is a member of the London Stock Exchange and carries on business as an agency broker It derives the majority of its income from London Stock Exchange related income and is therefore subject to fluctuations in market conditions, however a greater emphasis has been made on fee income to reduce the firm's reliance on volatile commission income New income streams have been implemented in recent years and these streams are discretionary portfolio services, private client advisory stockbroking, corporate and institutional broking, execution only stockbroking, corporate finance, corporate benefits and personal financial planning, pensions administration

Charles Stanley has enjoyed another excellent year The income of the company for the twelve months ended 31 March 2007 reached a new record figure of £96 5 million, an increase of 6% compared with the figure for 2005/06 of £90 7 million Profit before tax and disposal of available for sale investments was £15 1 million, an increase of 22% on the previous year (2006 £12 4 million)

While our transaction volumes decreased by 5%, the commission income which these volumes generated actually rose by 4%, from £57 0 million to £59 4 million

At the same time our investment management and administration fees increased by 20% from £26 4 million to £31 7 million, while our corporate finance income decreased by 26% from £6 9 million to £5 1 million

During the year we have opened a new office in Exeter, and we were have made further acquisitions into the new year including opening a new office in Guildford

The net assets of the company at the year-end have risen from £39 3 million (as at 31 March 2006) to £47 0 million, while our cash balances at the year-end have decreased to £40 7 million (2006 £46 7 million)

Operating Expenses have increased by 10% from £50 6 million to £55 7 million and gross margin on underlying profit for the year has increased from 14 1% to 15 9%

Charles Stanley remains, as always, committed to providing a comprehensive stockbroking and wealth management service, tailoring different levels of our offering to meet the varied needs of our client base But we strive constantly to make these services increasingly valuable to our clients

The funds which we manage or administer on behalf of our clients, on a fee-charging basis, rose during the year by 9% from £9 7 billion to £10 6 billion Within this figure the funds under discretionary management increased by 18% from £2 2 billion to £2 6 billion, whereas those under advisory management rose by 11% from £2 7 billion to £3 0 billion We hold a further £5 0 billion of clients' assets on their behalf for which we charge administration but not investment management fees

Charles Stanley Securities, our specialist small and mid cap advisory and institutional broking division, had another good year Revenues for the year were slightly down on the exceptional level of last year at £13 9 million (2006 £15 3 million) reflecting the generally quieter conditions in new issue activity

The corporate finance and broking team continued to build both its retained client list (currently an overall 54 companies) with the average market capitalisation continuing to grow, whilst maintaining significant momentum in terms of executing transactions Stockmarket conditions for AIM IPOs and secondary fund raisings were considerably more challenging than in the previous year, so the total of £88 milliom raised on behalf of clients in the course of four IPOs and 16 secondary fund raisings was very satisfactory In addition, a range of advisory-only mandates were executed

In parallel, the institutional equities business (comprising institutional equity research and sales) has also continued to develop In addition to coverage of corporate client stocks, sector analysts are increasing their coverage of non-corporate client companies, specifically larger-sized small companies, with a view to helping drive secondary commitments

The division continues with its established strategy of focusing on the development of profitable corporate and institutional business, whilst incrementally adding high quality people to its existing staff of 35

In the next two or three years we face some fundamental changes in the way that we do things, due principally to the Financial Services Action Plan of the European Union The company engages pro-actively with its regulators, with trade bodies and with industry working groups This not only enhances our skills and the quality of the service that we offer but also keeps in close touch with regulatory developments Thus, the company believes that we are well positioned to implement this challenging programme of change

Economic conditions have remained benign, similar to what was outlined in this review last year World stock markets have performed strongly, barely stirred by possible threats such as the sub-prime lending crisis in the USA, and the unfortunate breach in its target ceiling by UK inflation There are always dangers – the exposed position of the US dollar is a continuing concern – but the Company does not share the view that prices in UK market are too high Although the FTSE 100 Share Index is nearly back to its 1999/2000 peak, and is at twice the low-point that it reached in 2003, company earnings have roughly doubled in the past seven years Price earning ratios are therefore a much more sustainable figure of about half their level at the previous peak

Certainly there seems to be some froth in the market with so much acquisition activity, and perhaps enthusiastic pricing of new issues So some reaction is possible But the underlying trend remains well-supported, and I expect markets to continue to offer clients good returns

Our skill is in managing our clients' investments, whatever the market conditions, so as to build solid long-term value We seek to bring the same skill to the way in which we manage Charles Stanley The past year has shown strong performance If conditions remain favourable we anticipate further success in the year ahead

FUNDS UNDER MANAGEMENT AND ADMINISTRATION

	2007	2006
	£ billion	*£ billion*
Discretionary funds under management		
In Group's nominee or Crest personal membership	2 6	2 2
Advisory portfolio funds		
In Group's nominee or Crest personal membership	2 5	2 1
Not held in Group's nominee	0 5	0 6
	3 0	2 7
Total	5 6	4 9
Advisory dealing funds		
In Group's nominee or Crest personal membership	2 4	2 4
Execution only funds		
In Group's nominee or Crest personal membership	2 6	2 4
	5 0	4 8
Total funds under management or administration	**10 6**	**9 7**

Directors
The following directors have held office since 1 April 2006

Sir David Howard Bt
E M Clark
P A Hurst
M R I Lilwall
S C King
M M Murphy
P C Nathan M B E
M Anderson
J A Butcher
M J Pitts
V J Malpas
G Teper

Creditor payment policy
It is the company's policy to pay stockbroking creditors on Settlement Day or when stock has been delivered, whichever is later, and to pay suppliers in accordance with their payment terms Amounts due to trade creditors at the balance sheet date represent approximately 41 days' credit

Directors' responsibilities
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of its profit or loss for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

CHARLES STANLEY & CO LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2007

In accordance with section 234ZA Companies Act 1985, the directors confirm that, in the case of each of the persons who are directors at the time when this report is approved, so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and has taken all the steps that ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the board

Gary Teper
Company Secretary

7 June 2007

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CHARLES STANLEY & CO LIMITED

We have audited the financial statements on pages 6 to 24 These financial statements have been prepared in accordance with the accounting policies set out therein

Respective responsibilities of directors and auditors
As described in the statement of directors' responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion
In our opinion

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of affairs of the company as at 31 March 2007 and of its profit for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Saffery Champness

Saffery Champness
Chartered Accountants
Registered Auditors

Lion House
Red Lion Street
London
WC1R 4GB

7 June 2007

CHARLES STANLEY & CO LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007

	Notes	2007 £	Restated 2006 £
Continuing Operations			
Revenue	2	96,513,556	90,746,040
Administrative expenses		(83,494,242)	(80,024,412)
Operating profit	3	13,019,314	10,721,628
Interest receivable	4	2,100,598	1,722,759
Interest payable and similar charges	4	(32,505)	(43,301)
Underlying profit before disposal of available for sale investments		15,087,407	12,401,086
Profit on disposal of available for sale assets		1,938,798	948,000
Profit before tax		17,026,205	13,349,086
Taxation	5	(4,925,066)	(4,229,572)
Profit for the year		12,101,139	9,119,514

The income statement has been prepared on the basis that all operations are continuing operations

STATEMENT OF RECOGNISED INCOME AND EXPENSE

	2007 £	Restated 2006 £
Profit for the year	12,101,139	9,119,514
Revaluation of available for sale assets	(486,658)	2,490,625
Available for sale investments revaluation transferred to income statement	(1,938,798)	(948,000)
Deferred tax on revaluation of available for sale assets	770,603	(443,304)
Retirement benefit scheme actuarial gain/(deficit)	908,000	(2,284 000)
Deferred tax on retirement benefit scheme actuarial (gain)/deficit	(303,370)	729,250
Total recognised income for the year	11,050.916	8,664,085

The notes on pages 9 to 24 form part of these financial statements

CHARLES STANLEY & CO LIMITED

BALANCE SHEET
AS AT 31 MARCH 2007

	Notes	2007		2006	
		£	£	£	£
Assets					
Non-current assets					
Property, plant & equipment	6		6,128,232		5,479,639
Available for sale investments	7		4,340,304		6,706,860
			10,468,536		12,186,499
Current assets					
Trade and other receivables	8	268,756,245		239,509,173	
Held for trading investments	9	1,233,608		-	
Cash and cash equivalents	10	40,664,138		46,662,348	
		310,653,991		286,171,521	
Liabilities					
Current liabilities					
Financial liabilities	11	-		(199,706)	
Trade and other payables	12	(269,337,984)		(252,946,271)	
Current tax liabilities		(2,849,856)		(2,953,039)	
		(272,187,840)		(256,099,016)	
Net current assets			38,466,151		30,072,505
					42,259,004
Non current liabilities					
Deferred tax liability	13	(36,210)		(503,443)	
Retirement benefit liability	14	(1,521,000)		(2,429,000)	
			(1,557,210)		(2,932,443)
Net assets			47,377,477		39,326,561
Shareholders' equity					
Ordinary shares	15		2,900,000		2,900,000
Other reserves	16		2,241,123		3,895,976
Retained earnings	16		42,236,354		32,530,585
Total shareholders' equity			47,377,477		39,326,561

The notes on pages 9 to 24 form part of these financial statements

The financial statements were approved by the Board on 7 June 2007

David Howard

Sir David Howard Bt
Director

P A Hurst
Director

CHARLES STANLEY & CO LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007

	Notes	2007 £	2006 £
Cash flows from operating activities			
Cash generated from operation	17	(807,625)	5,325,547
Interest received		2,100,598	1,722,759
Interest paid		(32,505)	(43,301)
Tax paid		(5,028,249)	(3,510,232)
Net cash from operating activities		(3,767,781)	3,494,773
Cash flows from investing activities			
Dividends received		360,561	83,000
Purchase of property, plant and equipment		(3,064,639)	(1,940,584)
Proceeds from sale of property, plant and equipment		27,065	60,939
Proceeds from disposal of available for sale investments		2,121,954	2,671,403
Purchase of investments		(1,675,370)	(209,094)
Net cash used in investing activities		(2,230,429)	665,664
Net increase in cash and cash equivalents		(5,998,210)	4,160,437
Cash and cash equivalents at start of year		46,662,348	42,501,911
Cash and cash equivalents at end of year		40,664,138	46,662,348

1 Accounting policies

Accounting convention
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS The financial statements have been prepared under the historical cost convention A summary of the more important group accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year

The company has adopted the following accounting policies which should be read in conjunction with the financial statements set out on pages 6 to 24 which have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments The accounts have been prepared in accordance with applicable accounting standards

Prior year adjustment
The financial statements for the year ended 31 March 2006 were prepared under IFRS for the first time and the Company's accounting policies were amended to comply with IFRS where necessary In particular the policy on available for sale investments was changed to state "Gains or losses on available for sale investments are recognised directly as a separate component of equity until the investment is sold, or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the profit or loss for the period "

When the accounts were prepared the profit on disposal of investments which had been previously recognised directly in equity (£948,000) was shown as a movement between revaluation reserve and retained earnings Over the last year it has emerged that such profits are now being shown on the face of the Income Statement In order to show consistent presentation the 2006 figures in the Income Statement and related notes have been restated

Revenue
Revenue comprises stockbroking commission, investment management fees, corporate finance fees, the profit on buying and selling securities, and the profit or loss arising on positions held in securities

Commission income is recognised on a trade date basis Fee income is recognised when earned Dividends are credited to the profit and loss account in the year in which they are receivable and are shown exclusive of tax credits Stockbroking commission and fees are stated gross but exclude VAT Commission expenses are recognised on a trade date basis as with commission income, for both third parties and employees

The Company does not analyse performance by geographic segments internally as the Company's operations are entirely within the UK

Foreign currencies
Foreign currency items have been translated into sterling at the rate of exchange ruling at the balance sheet date Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction All differences are taken to the income statement

Property, plant & equipment
Property, plant & equipment are included in the balance sheet at cost less accumulated depreciation and any provisions for impairment

Freehold land is not depreciated Other property, plant & equipment is depreciated on a straight-line basis at rates sufficient to write off the cost less estimated residual values of individual assets over their estimated useful lives The depreciation periods of the principal categories of assets are as follows

Freehold buildings and leasehold properties	up to 50 years
Office equipment and motor vehicles	3 to 10 years

Financial assets
Investments in securities are recognised and derecognised on trade date Available for sale investments are initially measured at cost, inclusive of transaction costs

After initial recognition, investments which are classified as held for trading or available for sale are measured at fair value Gains or losses on investments held for trading are recognised in the profit and loss for the period Gains or losses on available for sale investments are recognised directly as a separate component of equity until the investment is sold, or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the profit or loss for the period

Investments are classified as held to maturity when they are non-derivatives with fixed or determinable payments and a fixed maturity that the Group has a positive intention and ability to hold to maturity Investments intended to be held for an undefined period are not included in this classification

For investments that are actively traded in organised financial markets, fair value is determined by reference to quoted bid prices at the close of business on the balance sheet date For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same Alternatively, it is calculated based on the expected cash flows of the underlying net asset base of the investment

Available for sale and held for trading investments are reviewed at the balance sheet date for evidence of impairment Any loss arising from impairment of financial assets is recognised directly in the profit and loss for the period Available for sale investments comprise listed and unlisted investments Listed investments are valued using market values and unlisted investments by Directors' valuation Further disclosure of investment valuation is provided in note 7

The fair value of the Company's investment in Euroclear plc is based on the Group's share of net assets, dividend yield and the prices of similar companies discounted for illiquidity Further disclosure of this investment is provided in note 7

Segregated funds
Segregated funds are held by the Company in trust on behalf of clients in accordance with the client money rules of the Financial Services Authority and the funds are not shown on the face of the balance sheet as the Company is not beneficially entitled hereto The amount held on behalf of clients at the balance sheet date is disclosed in note 10

Trade receivables
Trade receivables are measured on initial recognition at fair value When objective evidence exists that the asset is impaired the estimated irrecoverable amount is written off to profit and loss

Trade payables
Trade payables are measured on initial recognition at fair value and subsequently at amortised cost using the effective interest method

Retirement benefit costs
The cost of providing benefits under defined benefit plans are determined using the projected unit credit method, with actuarial valuations being carried out on an annual basis

Actuarial gains and losses are recognised in full in the period in which they occur They are recognised outside the income statement and are presented in the statement of recognised income and expense Past service cost is recognised immediately to the extent that the benefits are already vested The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets Any asset resulting from this calculation is limited to the unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan

In conjunction with our actuarial advisers, the Company makes estimates about long term trends, including life expectancy and investment performance These estimates are governed by rules in IAS 19 The detailed assumptions are set out in note 14

Taxation
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

The tax currently payable is based on taxable profit for the period Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences may be utilised Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affect neither the tax profit nor the accounting profit

The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled or when the asset is realised Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity

Significant estimates and assumptions
The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities, and profits and losses Evaluation is based on historical experience as well as future expectations

Future changes to accounting policies
Certain changes to IFRS will be applicable for the Company's accounts in future years At the date of authorisation of these financial statements, the following standards and interpretations, relevant to the Company's activities, which have not been applied in these financial statements were in issue but not yet effective

IFRS 7 – Financial instruments Disclosures, and the related amendments to IAS 1 on capital disclosures
IFRS 8 – Operating segments

The Company expects that the adoption of these standards in the future will have no material impact on the financial statements for the Company except for additional disclosures on capital and financial instruments when IFRS 7 comes into effect for periods commencing on or after 1 January 2007

2 Revenue

	Private clients	Charles Stanley Securities	Other	Total
Year ended 31 March 2007				
Commission	48,772,038	8,736,989	1,872,666	59,381,693
Fees				
Investment management	16,268,493	-	-	16,268,493
Administration	15,389,173	-	-	15,389,173
Corporate finance	-	5,113,636	-	5,113,636
	31,657,666	5,113,636	-	36,771,302
Other income	-	-	360,561	360,561
Total for year ended 31 March 2007	80,429,704	13,850,625	2,233,227	96,513,556
Allocated expenses	(50,233,171)	(10,796,338)	(1,731,591)	(62,761,100)
Divisional operating profit	30,196,533	3,054,287	501,636	33,752,456
Unallocated expenses				(20,733,142)
Operating profit for year ended 31 March 2007				**13,019,314**
Year ending 31 March 2006				
Commission	46,933,976	8,461,052	1,579,709	56,974,737
Fees				
Investment management	12,969,398	-	-	12,969,398
Administration	13,438,428	-	-	13,438,428
Corporate finance	-	6,911,477	-	6,911,477
	26,407,826	6,911,477	-	33,319,303
Other income	-	-	452,000	452,000
Total for year ended 31 March 2006	73,341,802	15,372,529	2,031,709	90,746,040
Allocated expenses	(48,409,042)	(9,774,232)	(1,527,854)	(59,711,128)
Divisional operating profit	24,932,760	5,598,297	503,855	31,034,912
Unallocated expenses				(20,313,284)
Operating profit for year ended 31 March 2006				**10,721,628**

3 Operating profit

	2007 £	2006 £
The following items have been included in arriving at operating profit		
Management fees paid to group undertakings	350,000	3,101,012
Depreciation on owned assets	2,279,590	1,828,819
Depreciation on assets held under finance leases	109,695	212,480
Auditors' remuneration for audit services	104,000	84,799
One-off revenue costs relating to new investment teams	1,613,469	2,201,000

In accordance with sectin 227B of the Companies Act 1985, no information regarding the remuneration of the auditors for non-audit services is disclosed in these financial statements as this information is provided in the consolidated financial statements of the ultimate parent company

4 Finance income - net

	2007 £	2006 £
Interest payable on bank loans and overdrafts	(32,505)	(43,301)
Interest income	2,100,598	1,722,759
Finance income – net	2,068,093	1,679,458

5 Taxation

Current taxation

	2007 £	2006 £
U K corporation tax at 30% (2006 – 30%)	4,942,045	4,335,400
Adjustment in respect of prior periods	(16,979)	(105,828)
Total Current Tax	4,925,066	4,229,572

The tax charged for the period is greater than the standard rate of corporation tax in the UK of 30% The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before tax	17,026,205	12,401,086
Profit on ordinary activities multiplied by the standard rate of tax of 30%	5,107,862	3,720,326
Effects of		
Expenses not deductible for tax purposes	126,558	107,909
Excess of capital allowances over depreciation	29,021	156,988
Adjustments in respect of previous periods	(16,979)	(105,828)
Timing differences	(75,000)	-
Tax on chargeable gains	-	396,905
Dividends receivable	(91,244)	(10,268)
Other adjustments	(155,152)	(36,460)
Current tax charge for the year	4,925,066	4,229,572

6 **Property, plant & equipment**

	Freehold	Long Leasehold premises	Short leasehold premises	Office equipment & motor vehicles	Total
	£	£	£	£	£
Cost					
1 April 2006	184,428	1,901,625	3,792,932	7,903,408	13,782,393
Additions	-	73,705	397,375	2,593,559	3,064,639
Disposals	-	-	-	(65,101)	(65,101)
	184,428	1,975,330	4,190,307	10,431,866	16,781,931
Depreciation					
1 April 2005	24,299	1,485,149	1,648,702	5,144,604	8,302,754
Disposals	-	-	-	(38,340)	(38,340)
Charge for year	3,471	89,832	374,659	1,921,323	2,389,285
	27,770	1,574,981	2,023,361	7,027,587	10,653,699
Net Book Value					
At 31 March 2007	156,658	400,349	2,166,946	3,404,279	6,128,232
At 31 March 2006	160,129	416,476	2,144,230	2,758,804	5,479,639

The net book value of tangible fixed assets includes £145,217 (2006 £213,966) in respect of assets held under finance leases and hire purchase contracts Fixed assets include fully depreciated assets costing £5 9 million

7 **Available for sale investments**

	Listed Investments	Unlisted Investments	Investment in Subsidiaries	Total
	£	£	£	£
At 1 April 2006				
Cost	835,925	305,238	17	1,141,180
Revaluation	3,412,646	2,153,034	-	5,565,680
	4,248,571	2,458,272	17	6,706,860
Additions	242,056	-	-	242,056
Disposals	(2,025,294)	(39,121)	-	(2,064,415)
Revaluation	(699,825)	155,628	-	(544,197)
At 31 March 2007	1,765,508	2,574,779	17	4,340,304
Cost	925,928	274,135	17	1,200,080
Revaluation	839,580	2,300,644	-	3,140,224

Listed investments include shares in London Stock Exchange plc During the year 151,470 shares were sold for £1 85 million leaving 25,000 shares at 31 March 2007

Unlisted investments include the Company's holding of 6,030 shares in Euroclear plc The directors have valued this holding at £2 5 million as at 31 March 2007 This valuation reflects the Company s estimate of the fair value of this investment and is calculated at a discount to the net asset value of Euroclear plc's most recent published financial statements

7 **Available for sale investments** (continued)

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	**Country of registration or incorporation**	**Shares held** Class	%
Subsidiary undertakings			
Rock (Nominees) Limited	England	Ordinary	100
Exempt Nominees Limited	England	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows

	Capital and reserves £	**Profit for the year** £
Rock (Nominees) Limited	15	-
Exempt Nominees Limited	2	-

The company is exempt from the obligation to prepare and deliver group accounts because it is included in the group accounts of the holding company

8 **Trade and other receivables**	**2007** £	**2006** £
Current		
Trade debtors	264,609,606	237,229,393
Amounts owed by parent and fellow subsidiary undertakings	1,640,407	43,838
Other debtors	392,625	431,469
Prepayments and accrued income	2,113,607	1,804,473
	268,756,245	239,509,173

9 **Held for trading investments**

Listed investments	1,233,608	-

10 **Cash and cash equivalents**

Firm's cash	40,664,138	46,662,348

At the balance sheet date there were also deposits for clients, not included in the consolidated balance sheet, which were held in segregated client bank accounts amounting to £741,421,773 (2006 £658,290,377)

11 Financial liabilities

	2007	2006
	£	£
Short position holdings	-	199,706

12 Trade and other payables

	2007	2006
Trade payables	258,432,893	243,767,218
Amounts owed to parent and fellow subsidiary undertakings	1,109,226	1,227,554
Other taxes and social security costs	1,681,546	2,488,278
Other creditors	2,002,509	181,556
Accruals and deferred income	6,111,810	5,281,665
	269,337,984	252,946,271

13 Deferred tax liability

	Revaluation	Retirement Benefit	Other Temporary Difference	Total
	£	£	£	£
Opening balance at 1 April 2006	1,669,704	(729,250)	(437,011)	503,443
Revaluation of financial assets	(770,603)	-	-	(770,603)
Movement in retirement benefit liability	-	303,370	-	303,370
Closing balance at 31 March 2007	899,101	(425,880)	(437,011)	36,210

14 **Pension costs**

The company sponsors the Charles Stanley & Co Ltd Retirement Benefits Scheme ("the Scheme), which is a funded defined benefit arrangement The last full actuarial valuation of the Scheme was carried out by an independent qualified actuary as at 13 May 2005 and updated on an approximate basis to 31 March 2007

The contributions made by the Employer over the financial year have been £899,000, equivalent to 23 2% of pensionable pay This contribution rate is to continue until reviewed following the next triennial valuation of the Scheme

It is the policy of the company to recognise all actuarial gains and losses in the year in which they occur outside the income statement and in the statement of recognised income and expense

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2007	2006
Defined benefit obligation at start of year	18,281,000	14,140,000
Total employer current service cost	705,000	618,000
Interest cost	985,000	834,000
Employee contributions	94,000	94,000
Actuarial loss	197,000	2,627,000
Benefits paid, death in service insurance premiums and expenses	(69,000)	(32,000)
Past service costs	-	-
Business combinations	-	-
Curtailments	-	-
Settlements	-	-
Defined benefit obligation at end of year	20,193,000	18,281,000

Reconciliation of opening and closing balances of the fair value of plan assets

	2007	2006
Fair value of assets at start of year	15,852,000	14,029,000
Expected return on assets	791,000	596,000
Actuarial gains	1,105,000	343,000
Contributions by employer	899,000	869,000
Contributions by plan participants	94,000	47,000
Benefits paid, death in service insurance premiums and expenses	(69,000)	(32,000)
Business combinations	-	-
Settlements	-	-
Fair value of assets at end of year	18,672,000	15,852,000

14 **Pension costs (continued)**

Total expense recognised in the income statement

	2007	2006
Current service cost	705,000	618,000
Interest on pension scheme liabilities	985,000	834,000
Expected return on pension scheme assets	(791,000)	(596,000)
Past service cost	-	-
Curtailments	-	-
Settlements	-	-
Total expense	899,000	856,000

Gains (losses) recognised in statement of recognised income and expense

	2007	2006
Difference between expected and actual return on scheme assets		
Amount	1,105,000	343,000
Percentage of scheme assets	6%	2%
Experience gains and losses arising on the scheme liabilities		
Amount	(304,000)	(832,000)
Percentage of present value of scheme liabilities	(2%)	(5%)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities		
Amount	107,000	(1,795,000)
Percentage of present value of scheme liabilities	0%	(10%)
Total amount recognised in statement of recognised income and expense		
Amount	908,000	(2,284,000)
Percentage of present value of scheme liabilities	4%	(12%)

The cumulative amount of actuarial losses recognised in the statement of recognised income and expenses since adoption of IAS19 is £1 6 million

Assets

	2007	2006
Equities	10,989,000	4,480,000
Bonds	3,108,000	-
Other	4,575,000	11,372,000
	18,672,000	15,852,000

The fair values of the assets shown above include £777,000 of shares in Charles Stanley Group plc

14 **Pension costs (continued)**

Expected long term rates of return

The expected return on bonds is determined by reference to UK long dated gilt and bond yields at the balance sheet date The expected rate of return on equities has been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date

The expected long term rates of return are as follows

	2007	2006
Equities	6 75%	7 00%
Bonds	5 50%	5 00%
Cash	4 00%	4 00%
Overall for scheme	5 78%	4 85%

Assumptions

	2007 % per annum	2006 % per annum
Inflation	3 30	3 00
Salary increases	3 50	3 25
Rate of discount	5 50	5 30
Allowance for pension in payment increases of RPI or 5% p a if less	3 30	3 00
Allowance for revaluation of deferred pensions of RPI or 5% p a if less	3 30	3 00

Present values of defined benefit obligations, fair value of assets and deficit

	2007	2006
Present value defined benefit obligation	20,193,000	18,281,000
Fair value of plan assets	18,672,000	15,852,000
Deficit in scheme	1,521,000	2,429,000

As all actuarial gains and assets are recognised, the deficits shown above are those recognised in the balance sheet

Best estimate of contributions to be paid to plan for the year ending 31 March 2008

The best estimate of contributions (employer and employee) to be paid to the plan for the year ending 31 March 2008 is £1,050,000

14 **Pension costs (continued)**

Assets	Expected rate of return	£	Expected rate of return	£
Equities	6 75%	10,989,000	7 00%	4,480,000
Bonds	5 50%	3,108,000	-	-
Cash on Deposit	4 00%	4,575,000	4 00%	11,372,000
	5 78%	18,672,000	4 85%	15,852,000

History of experience gains and losses	2007	2006	2005	2004	2003
Difference between expected and actual returns on scheme assets					
• Amount	£1,105,000	£343,000	(£47,000)	£124,000	(£243,000)
• % of assets	6%	2%	(1%)	1%	(2%)
Experience gains/(losses) on scheme liabilities					
• amount	(£304,000)	(£832,000)	£147,000	£470,000	(£142,000)
• % of liabilities	(2%)	(5%)	1%	4%	(1%)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities					
• amount	£107,000	(£1,795,000)	(£411,000)	(£300,000)	£78,000
• % of liabilities	0%	(10%)	(3%)	(2%)	1%
Total actuarial (loss)/gain					
• amount	£908,000	(£2,284 000)	(£311,000)	£291,000	(£307,000)
• % of liabilities	4%	(12%)	(2%)	2%	(3%)

15 **Share capital**

	2007 £	2006 £
Authorised		
5,000,000 Ordinary shares of £1 each	5,000,000	5,000,000
Allotted, called up and fully paid		
2,900,000 Ordinary shares of £1 each	2,900,000	2,900,000

16 Statement of movements on reserves

	Revaluation reserve £	Profit and loss account £
Balance at 1 April 2006	3,895,976	32,530,585
Profit for the year	-	12,101,139
Dividend paid	-	(3,000,000)
Revaluation of available-for-sale assets	(486,658)	-
Available-for-sale assets realised revaluation surplus transfer	(1,938,798)	-
Deferred tax on revaluation of available-for-sale assets	770,603	-
Actuarial surplus on retirement benefit liability	-	908,000
Deferred tax on actuarial surplus on retirement benefit liability	-	(303,370)
Balance at 31 March 2007	2,241,123	42,236,354

17 Cash flow from operating activities

	2007 £	2006 Restated £
Cash generated from operations		
Continuing operations		
Profit for the period	17,026,205	13,349,086
Adjustments for		
Depreciation	2,388,981	2,041,299
Dividend income	(360,561)	(83,000)
Interest income	(2,100,598)	(1,722,759)
Interest expense	32,505	43,301
Profit on disposal of property, plant and equipment	-	(9,348)
Profit on disposal of available for sale investments	(1,938,798)	(1,323,016)
Shares in lieu of fees	-	(617,840)
Changes in working capital		
(Increase)/decrease in Trade and other receivables	(29,247,072)	(6,172,497)
Increase/(decrease) in Trade and other payables	13,391,713	(179,679)
Cash generated from continuing operations	(807,625)	5,325,547

18 Financial Risks

The main financial risks that the Company is exposed to and its management policy with respect to those risks are as follows

- Foreign currency risk, due to the extent of its foreign currency assets not matched by foreign currency borrowings in the same currency
- Interest rate risk, the possibility that changes in interest rates will result in higher financing costs and/or reduced income from the Company's interest bearing financial assets and liabilities
- Credit risk, the risk that counterparties to the Company's financial assets may default
- Liquidity risk, the risk that the company's cash and committed facilities may be insufficient to meet its debts as they fall due

The Company's Directors are required to follow the requirements of Charles Stanley Group PLC risk management policies, which include specific guidelines on the management of foreign exchange, interest rate and credit risks, and advice on the use of financial instruments to manage them

19 **Directors' emoluments**

	2007	2006
	£	£
Emoluments for qualifying services	3,185,068	2,912,906
Company pension contributions to money purchase scheme	72,750	66,774
	3,257,818	2,979,680
The number of directors for whom retirement benefits are accruing under money purchase pension schemes	6	6
The number of directors for whom retirement benefits are accruing under defined benefit schemes	6	6

No director exercised share options during the year
Emoluments disclosed above include the following amounts paid to the highest paid director

	£	£
Emoluments for qualifying services	417,130	397,812
Accrued pension at the end of the year	83,917	78,000
Transfer value of accrued pension	1,382,813	1,208,471

Aggregate remuneration disclosed above includes £127,813 (2006 - £135,421) in respect of commission earned

20 **Employees**

Number of employees
The average monthly number of employees (including directors) during the year was 555 (2006 497)

Employment costs	**2007**	**2006**
	£	£
Wages and salaries	30,057,836	26,140,128
Social Security costs	3,445,219	3,235,436
Other pension costs	2,464,677	2,272,194
	35,967,732	31,647,758

21 Control

The ultimate parent company is Charles Stanley Group Plc, a company registered in England and Wales

Charles Stanley Group Plc prepares group financial statements and copies can be obtained from the registered office

22 Related party transactions

The directors undertake transactions in stocks and shares in the ordinary course of the company's business for their own accounts No amounts were owed by directors to the company for these type of transactions at 31 March 2007 At 1 April 2006, a loan of £30,000 was outstanding to M Anderson, a director of the company, at an interest rate of 5% per annum At 31 March 2007 there was a balance of £18,000 outstanding There were no other material contracts between the company and directors

CHARLES STANLEY & CO LIMITED

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007

	2007 £	Restated 2006 £
Revenue		
Commissions receivable	59,381,689	56,974,182
Other income	37,131,864	33,771,858
	96,513,553	90,746,040
Commission shared	(27,832,076)	(29,403,812)
	68,681,477	61,342,228
Operating expenses	(55,662,163)	(50,620,600)
Operating profit	13,019,314	10,721,628
Other interest receivable and similar income		
Interest receivable	2,100,598	1,722,759
Interest payable	(32,505)	(43,301)
Underlying profit before disposal of available for sale investments	15,087,407	12,401,086
Profit on disposal of available for sale investments	1,938,798	948,000
Profit before taxation	17,026,205	13,349,086

This page does not form part of the financial statements on which the auditors have reported

CHARLES STANLEY & CO LIMITED

SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED 31 MARCH 2007

	2007 £	Restated 2006 £
Operating expenses		
Wages and salaries (excl NI)	27,182,025	22,344,321
Employer s NI Contributions	2,853,168	2,779,436
Pension costs	2,420,385	2,206,194
Other staff costs	2,372,600	2,638,746
Settlement costs	1,372,972	1,390,209
Computerised accounting charges	125,621	198,006
Option charges	366,024	390,735
Stock Exchange communication	2,874,711	2,295,490
Insurance	581,359	452,409
Management charge including accommodation	3,518,757	3,101,012
Depreciation	2,388,981	2,041,299
Printing and stationery	820,141	780,612
Advertising	274,387	385,343
Postage	654,072	613,792
Telephone	916,408	1,019,675
Computer running costs	3,045,463	3,434,893
Research	224,420	67,578
Travel and motor expenses	324,370	268,671
Entertaining	442,043	312,470
Legal and professional fees	774,632	705,415
Audit fees	104,000	84,799
Other non-audit fees	26,064	25,396
Bank charges	630,815	629,069
Bad and doubtful debts	-	-
Dealing losses	16,595	472,892
Non-recoverable VAT	269,979	629,461
Sundry expenses	528,911	721,356
Stock Exchange subscriptions	312,700	298,514
Subscriptions and donations	240,560	332,807
	55,662,163	50,620,600

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